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E000010559
E-01345A-20-0367

NEW APPLICATION

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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB BURNS, Chairman
BOYD DUNN
SANDRA D. KENNEDY
JUSTIN OLSON
LEA MÁRQUEZ PETERSON

IN THE MATTER OF THE APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY FOR APPROVAL OF ELECTRIC SERVICE CONTRACT RATE SCHEDULE WITH NIKOLA CORPORATION.	DOCKET NO. E-01345A-20-___ **REQUEST TO APPROVE EXPERIMENTAL HIGH LOAD FACTOR RATE SCHEDULE**

Arizona Public Service Company (APS or Company) intends to enter into an Electric Supply Agreement (ESA) with Nikola Corporation (Nikola). Because the proposed contract rate schedule contains Competitively Confidential Information, the copy of the contract rate schedule, HLF-4, attached as Exhibit A, is redacted. An un-redacted version of the contract rate schedule will be provided to the Arizona Corporation Commission (ACC or Commission) Staff for their confidential review pursuant to an executed Protective Agreement.

Nikola is based in Phoenix, Arizona and has announced plans to establish hydrogen production, processing, and fueling stations. Nikola anticipates its activities to require a very high load factor (above 92%). APS customers with high loads provide operational

ACC - Docket Control - Received 12/11/2020 4:02 PM
ACC - Docket Control - Docketed 12/11/2020 4:15 PM

and other economic benefits to the Company's distribution system. Very high load factor customers help reduce the overall cost for APS to serve all its customers because they help to flatten the overall system load profile, which, in turn, allows APS to operate its generation fleet in a more optimal manner while spreading its fixed costs over a greater volume of energy, reducing costs on a per kWh basis for APS customers. The contract rate schedule at issue employs a high load factor pricing structure that, once Nikola achieves large-scale operations, will better align the price that Nikola will pay to APS with the costs APS incurs to provide electricity to Nikola.

Nikola's planned hydrogen facilities, unlike most other high load factor customers, are expected to also be flexible loads that will be responsive to demand response dispatch instructions, similar to a microgrid or battery energy storage facility. This flexibility benefits the electric system as a whole and allows APS to provide service to Nikola's facilities under this agreement with a capacity credit for the unbundled generation capacity rate component. Nikola's facilities will also be able to self-curtail under the contract rate. The contract rate schedule will be applicable for Nikola's large hydrogen production loads and also its hydrogen refueling stations across APS's service territory.

Prior to reaching the scale required to qualify for this special rate, Nikola will be served on the applicable E-32 or other general service rate without any discount or other special provision.

APS believes that Nikola's contract rate schedule is appropriate as an important means of economic development in Arizona, consistent with the provisions the Commission approved in Decision No. 73183 that authorized APS to pursue economic development opportunities through the use of Commission-approved contracts. (*See* Decision No. 73183 at Exhibit A, Paragraph 17.4.) Nikola anticipates deploying hundreds of millions of dollars in capital to construct its hydrogen facilities in the state of Arizona. Additionally, Nikola expects that those facilities will employ a diverse workforce consisting of engineers, technicians, mechanics, operators, skilled trades, security guards, truck drivers, fueling attendants and construction workers, among others, to site, permit,

construct, maintain, and operate its hydrogen facilities and associated operations. Additionally, the deployment of hydrogen facilities across the state of Arizona will have a positive impact by reducing local pollution and emissions by facilitating the conversion of heavy-duty trucks from diesel to zero-emission hydrogen, thus reducing NOx, SOx, CO_2, and fine particulate matter, which should prove beneficial to the state's air quality non-attainment zones.

The Company respectfully requests that the Commission approve the contract rate schedule HLF-4 as proposed.

RESPECTFULLY SUBMITTED this 11th day of December 2020.

By: /s/ Melissa M. Krueger
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Electronically filed this 11th day
of December 2020 with:

Docket Control
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COPY of the foregoing emailed/delivered
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EXHIBIT A

SPECIAL CONTRACT SCHEDULE HLF-4
HIGH LOAD FACTOR RATE

AVAILABILITY

This rate schedule described herein is a special contract rate and only available to Nikola Corporation ("Customer") facilities as approved in Arizona Corporation Commission ("ACC") Decision No. XXXXX provided it meets the following qualifications:

(i) a monthly maximum demand of [redacted] or more;
(ii) a load factor of [redacted] or more outside of any Curtailment Event or Self-Curtailment Event (each as defined below) periods for a minimum of nine (9) months of the prior 12-month period;
(iii) load and operations that are flexible to accommodate schedule variations; and
(iv) load that is primarily for the production, processing, or dispensing of hydrogen.

Customer will be required to execute an Electric Supply Agreement ("ESA") that specifies certain provisions of their electric service, such as a contract length, minimum and maximum monthly loads, special charges, and other service details, including maintenance.

The load factor requirement will be waived for the first year of electrical service.

DESCRIPTION

Customer may elect to reduce consumption for economic or maintenance reasons (a "Self-Curtailment Event") subject to the following:

(i) Notice of a Self-Curtailment Event will be provided to APS by 4 AM of the day prior to the Self-Curtailment Event.

Customer may be curtailed by APS (a "Curtailment Event") subject to the following restrictions:

(i) Customer may not be curtailed by APS to a level below [redacted]% of the average max kW of the last 12 billing months ("PMax");

(ii) APS will use commercially reasonable efforts to provide, prior to the day a Curtailment Event will occur, a non-binding Curtailment Notice (as defined below);

(iii) The details of a Curtailment Event (included within a "Curtailment Notice") will be provided at 5-minute granularity and will include the scheduled reduction in power demand (kW) (the "Curtailed Load") for the Curtailment Events for such day and will take into account the limitations of Customer's ramp rate of [redacted];

(iv) Prior to a Curtailment Event, Customer will be provided notice to reach a set point within (a) a 15-minute period if via manual communication, or (b) a 10-minute period if via automatic control;

(v) A Curtailment Notice will indicate the Curtailed Load required to be shed by Customer based on a Baseline Load Profile (as defined below);

(vi) The "Baseline Load Profile" is the expected amount of maximum power consumption (kW) that Customer would have consumed, if not for a Curtailment Event or Self-Curtailment Event, and will be equal to the average of Customer's maximum power demand (kW) over the three highest demand days in the previous 10 days (not including those days during which a Curtailment Event or Self-Curtailment Event occurred);

(vii) Customer may return to full load immediately after the conclusion of each Curtailment Event;

(viii) On a daily basis, the total curtailed energy may not exceed [redacted] of Customer's maximum power demand in the Baseline Load Profile;

(ix) On an annual basis, the total curtailed energy may not exceed [redacted] of Customer's maximum power demand over the course of the preceding 12 months; and

(x) System outages or interruption events, as specified in APS's Service Schedules 1 and 5, will not count as Curtailment Events.

During a Curtailment Event, Customer's 5-minute power demand (kW) must remain below the Event Load Level, which shall be calculated as follows:

"Event Load Level" equals the result of (a) the 5-minute Baseline Load Profile minus (b) the 5-minute Curtailed Load amount. Customer's load must remain within a positive or negative band equal to the lesser of 5% of PMax or 1 MW (the "Performance Band") of the Event Load Level during a Curtailment Event. Any Customer load greater than the Performance Band, as applicable, will be subject to additional charges ("Restricted Hour Charges"). Restricted Hour Charges will apply to Customer's highest positive power demand (kW) deviation from the sum of the Event Load Level plus the Performance Band for any interval during the day of the applicable Curtailment Event. For the avoidance of doubt, no Restricted Hour Charges will apply for any portion of a Curtailment Event during which APS issues a curtailment instruction in excess of the daily or annual total curtailed energy limits set forth in items (viii) and (ix) above.

Customer's Monthly Load Factor will be calculated using the following formula:

$$Average\ Load = \frac{\sum_{t=0}^{T} P_t - \sum_{n=0}^{N} C_n}{T-N}$$

$$Monthly\ Load\ Factor = \frac{Average\ Load}{\max(P_0, P_1, \ldots, P_T)}$$

Where:

T = Number of metered intervals in the billing period;
Pt = Power consumption at interval t;
N = Number of Curtailment Event or Self-Curtailment Event intervals and the 10 minutes of intervals before and after such curtailment events in the billing period; and
Cn = Power consumption during the period starting 10 minutes of intervals before and ending 10 minutes of intervals after a Curtailment Event or Self-Curtailment Event.

CHARGES

Customer's monthly bill will be computed based upon the following unbundled charges plus adjustments. The actual billed amount will be subject to a minimum amount specified in Customer's ESA.

Base Rate Charges		
Revenue Cycle Service (all charges apply)		
Customer Accounts	$3.606	per day
Billing	$0.030	per day
Meter Reading	$0.009	per day
Metering (only one applies)		
Primary Level Service	$4.404	per day
Transmission Level Service	$36.252	per day
Demand Charge Components (all charges apply)		
Transmission	$3.236	per kW
Generation – Capacity	$9.274	per kW
Generation – Capacity Discount of [redacted]	[redacted]	per kW
Delivery (only one applies)		
Primary Level Service	$4.099	per kW
Transmission Level Service	$0.407	per kW
Energy Charge Components (all charges apply)		
System Benefits	$0.002760	per kWh
Generation – Energy	*Wholesale Market Price*	per kWh
Restricted Hour Charges (all charges apply)		
Restricted Hour Charges	[redacted]	per kW per event day
Economic Development Discount (all charges apply)		
Economic Development Discount	[redacted]	per kWh

Notes:

(i) The "Generation – Energy" component is an hourly market-based charge per kWh that for this schedule will be derived from relevant wholesale market prices as detailed in the Premises Addendum of the Customer's ESA. [redacted].

(ii) The metering charges apply to typical installations. If Customer requires specialized equipment, additional metering charges that reflect such additional cost will be applied and will be specified within Customer's ESA.

(iii) The Economic Development Discount will be effective for [redacted] as approved by the ACC in Decision No. XXXXX. [redacted]

(iv) Charges under the schedule are subject to a minimum monthly bill. Minimum monthly bill amounts will be specified within Customer's ESA. If the total base rate charges, before adjustments, are less than the minimum monthly bill amount, Customer will be charged the minimum monthly bill amount in lieu of base rate charges listed above, in addition to any additional adjustments, taxes, or fees.

(v) The kW used to determine the per kW charges above will be based on the average kW supplied during the highest interval period during the billing period.

ADJUSTMENTS

Customer's bill will include the following adjustments:

1. The Transmission Cost Adjustment charge, Adjustment Schedule TCA-1 (*see* ACC Decision No. 67744).

2. The Environmental Improvement Surcharge, Adjustment Schedule EIS.

3. The Tax Expense Adjustment Mechanism, Adjustment Schedule TEAM, (*see* ACC Decision No. 76295).

4. Any new adjustment mechanism authorized by the ACC that applies to rate schedule XHLF.

5. The applicable taxes and governmental fees which are assessed on APS's revenues, prices, sales volume, generation volume, or other business metrics.

TYPE OF SERVICE

The electrical service provided under this schedule will be three-phase, 60 Hertz, at APS's standard voltages that are available within the vicinity of Customer's site.

Primary Level Service is served at voltages 12 kV and below 69 kV, Transmission Level Service is served at voltages 69 kV and greater.

This rate schedule is a part of a special contract for service and is not applicable to direct access, breakdown, standby, supplemental, residential, or resale service.

POWER FACTOR REQUIREMENTS

1. Customer's load must not deviate from phase balance by more than 10%.

2. Customer receiving service at voltage levels below 69 kV must maintain a power factor of no less than 90% lagging. The power factor cannot be leading unless APS agrees.

3. Customer receiving service at voltage levels of 69 kV or above must maintain a power factor of ± 95%.

4. APS may install certain monitoring equipment to test Customer's power factor. If Customer's load does not meet the power factor requirements, Customer will pay the cost to install and remove such monitoring equipment.

5. If Customer's load does not meet the power factor requirements, Customer must resolve the issue. Otherwise, Customer will pay for any costs incurred by APS to address the issue and its impacts on the APS system. Also, until APS deems the problem to be remedied, APS may compute Customer's monthly billing demand with kVA instead of kW.

CONTRACT PERIOD

The contract period is as specified in Customer's ESA.

TERMS AND CONDITIONS

Service under this rate schedule is subject to all APS service schedules, including Schedule 1 (Terms and Conditions for Standard Offer and Direct Access Services), which contain provisions that may affect Customer's bill. Service under this rate schedule is also subject to special terms and conditions as specified in Customer's ESA.

[redacted] Any other terms and conditions established by the ACC that are applicable to this rate schedule will be automatically incorporated, and such ACC determined terms and conditions will control in the event of a conflict with this document.

[redacted]

[redacted]